



Insurance Institute
of Michigan

FACTS About No-Fault Reform

Michigan's auto insurance companies support changes to the no-fault law that will continue to provide the BEST auto insurance coverage in the country while curbing some of the factors that drive up the cost. Common sense reforms have been proposed that will:

- ✓ Put in place fair cost controls for auto accident medical services
- ✓ Establish a fraud bureau to reduce abuse of the system
- ✓ Make auto insurance rates more affordable for consumers

However, there seems to be some misconceptions or misinformation about reform that we would like to fact check.

NOT FACT: *Auto accident victims will no longer have the benefits they do under the current no-fault auto insurance system.*



FACT:

Michigan motorists will continue to have the best medical benefits in the country under Senate Bill 248, unlimited, lifetime medical care.

The only thing that will change for those injured in auto accidents is that their medical bills will be lower. All medical costs will be reimbursed at the same reasonable price currently paid by private health insurers.

NOT FACT: *The reform proposal is aimed at increasing the coffers of profitable insurance companies.*



FACT:

Auto insurance in Michigan is not profitable at all. In fact, according to a study by the National Association of Insurance Commissioners (NAIC), the return on net worth for auto insurance in Michigan was -3.9% in 2013, compared to the national average of 4.6% return on net worth.

Michigan's loss ratios are also consistently higher than the national average. In 2013, Michigan auto insurers paid out \$1.15 for every \$1.00 earned. This ratio measures the company's underlying profitability, or loss experience. Nationally, the average auto insurance loss ratio is 66 cents for every \$1.00 earned.

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NOT FACT: *Medicaid rates would balloon in Michigan by \$30 million if SB 248 is implemented.*



FACT:

That \$30 million figure is not relevant to discussion on SB 248 which does not cap unlimited, lifetime medical benefits. The \$30 million amount was included in a study by Public Sector Consultants that was actually an analysis on a \$50,000 Personal Injury Protection (PIP) benefit limit and assumed there were no other health care benefits as a backstop.

NOT FACT: *Michigan auto insurance premiums have dropped from 1st to 7th in the country due to reforms already enacted.*



FACT:

This statement mixes apples and oranges. According to the National Association of Insurance Commissioners, Michigan's average auto premium was 7th highest in the country in 2012 (the most recent year of the study). In the 2011 study, Michigan premiums were 8th highest.

However, according to the 2015 Insure.com state-by-state comparison of auto insurance premiums, Michigan has the most expensive car insurance rates in the nation for the second consecutive year. The studies differ because the NAIC study takes all premiums and divides by the number of insured vehicles to get an average of premiums paid. The Insure.com study uses one example, i.e. a 40-year-old male with clean motor vehicle record driving a certain vehicle.

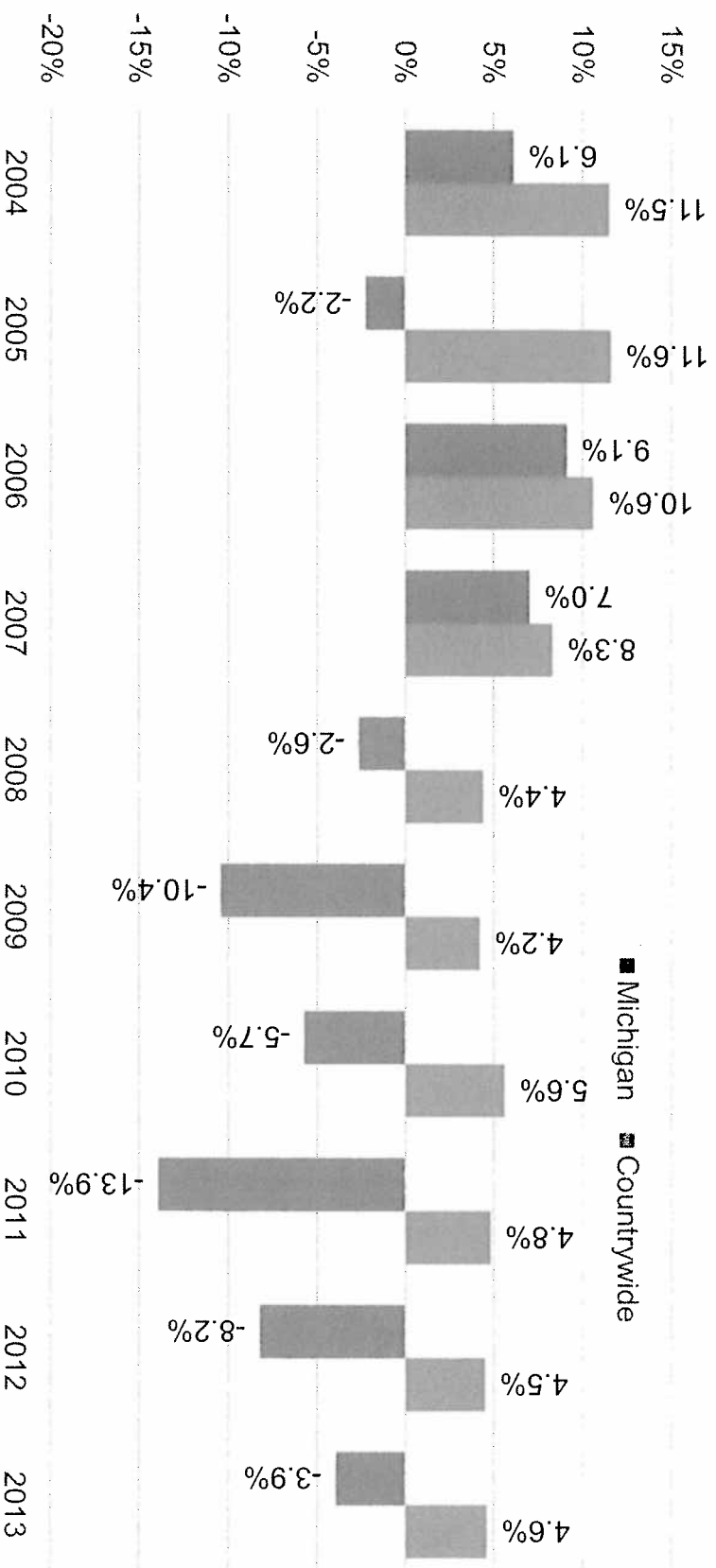
NOT FACT: *There is nothing in the bill to require auto insurance companies to lower premiums for consumers.*



FACT:

Insurance is one of the most regulated industries in our state. The Department of Financial and Insurance Services (DIFS) oversees the industry and its rate setting. All rates must be filed with the state with all supporting documentation. DIFS has the authority and responsibility to review rates to determine if they are excessive, inadequate or unfairly discriminatory. In addition, Michigan is a highly competitive market for insurance. Market pressures will result in the savings being passed on to motorists.

MI vs. Countrywide Personal Auto Return on Net Worth, 2004-2013



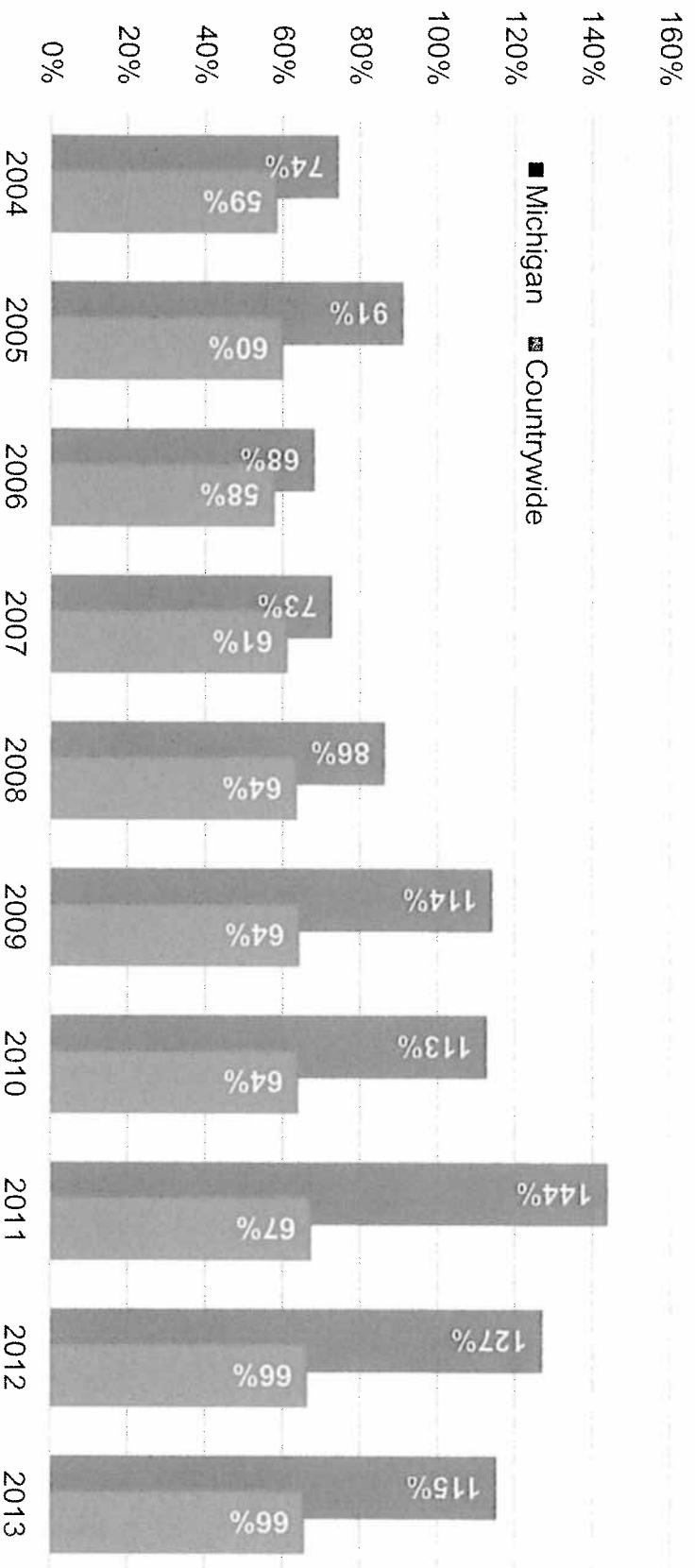
Michigan's Return on Net Worth Is Consistently Lower Than National Average.

Sources: National Association of Insurance Commissioners.

MI vs. Countrywide Personal Auto Loss Ratios, 2004-2013



Loss as % of Direct Earned Premium



Michigan's Loss Ratios Are Consistently Higher Than National Average.

Sources: National Association of Insurance Commissioners.